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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Advisory Branch

RESOLUTION NO. W-4281
August 23, 2001

R E S O L U T I O N

**(RES. W-4281), SOUTHERN CALIFORNIA WATER COMPANY,
(SCWC). ORDER AUTHORIZING A TEMPORARY
SURCHARGE TO OFFSET COSTS RESULTING FROM A
TEMPORARY ELECTRIC RATE INCREASE TO SOUTHERN
CALIFORNIA EDISON COMPANY (SCE) AND PACIFIC GAS
AND ELECTRIC COMPANY (PG&E) GRANTED BY
COMMISSION DECISION (D.) 01-03-082.**

SUMMARY

By Advice Letter 1095-W, filed April 16, 2001, revised by Supplemental Advice Letter 1095-W-A, SCWC seeks to increase rates by \$2,283,976 or 1.35% to offset the estimated increased in purchased power costs that have occurred since its present rates became effective. The increase will not result in a rate of return greater than last authorized for SCWC.

BACKGROUND

Pursuant to Commission D.01-03-082, SCE and PG&E were granted a rate increase of \$0.03 per kilowatt-hour due to the recent increase in wholesale electricity costs. As a result of the increase granted to Edison and PG&E, SCWC is seeking to increase its rates by implementing a temporary surcharge in its meter rate schedules to offset the \$2,283,976 or 1.35% estimated increase in purchased power costs.

SCWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to adjust rates to offset the increase in its purchased power costs.

The Water Division anticipates that many of the approximately 150 water and sewer companies the Commission regulates will be filing for similar offsets.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in the local newspaper of each district on April 26, 2001. The Water Division did not receive any letters objecting to the increase.

DISCUSSION

On May 18, 1983, the Commission approved procedures to be effective June 1, 1983, to allow expense offsets for certain expenses that were considered beyond the utility's control. The expenses eligible for offset were addressed and modified by D.94-06-033, June 22, 1994, Ordering Paragraph 2 (Risk OII, Phase 2) and that present water and sewer system utilities are allowed offset and balancing account treatment for the following expenses:

For all water and sewer service utilities:

- a. Purchased power (electricity or natural gas that the utility buys from the energy company, not through a broker.
- b. Purchased water,
- c. Groundwater extraction charges (pump taxes), and
- d. Costs booked to a memorandum account when found reasonable for recovery.

Class C and D utilities are not covered by attrition and may request an offset for:

- e. Employee labor,
- f. Payroll taxes,
- g. That portion of contract work that is for operation and maintenance of plant facilities (Class D only), and
- h. Unanticipated repair costs.

These offsets are different from Energy Cost Adjustment Clause (ECAC) and Energy Revenue Adjustment Mechanism (ERAM) balancing accounts in that the accounts don't track total revenues as ECAC and ERAM accounts do. For water and sewer, when a recoverable expense changes, the account starts to accrue the

difference between the last adopted level of expense and the new level of expense. So, for purchased power as in this case, the purchased power balancing account will accrue \$0.03 (or whatever the actual change is) times the number of kilowatt-hours of electricity purchased. When base rates are changed, the adopted kilowatt-hours from the last general rate case is multiplied by \$0.03 and this amount is divided by the adopted water sales to get the cents per 100 cubic feet increase in the water rates. The actual revenue resulting from this rate increase is tracked in the balancing account to offset the increase in cost. Public Utilities Code 792.5 requires this tracking.

Because this calculation is simple and easy to check, it is reasonable for the Commission to delegate the task of approving subsequent advice letters of this type to the Water Division.

The offset increase requested herein is for the purpose of recovering in rates on a dollar-for-dollar basis changes in items that have occurred since the present rates became effective. This rate increase will not result in a return greater than that previously authorized.

Since the increase is caused by changes in expenses directly related to water consumption, it is applied to water usage for metered customers.

At proposed rates, the impact to SCWC customers will be the following:

Metropolitan: a commercial or residential customer on Schedule ME-1 with a 5/8-inch x 3/4-inch meter, using 23 Ccf per month will experience a monthly increase of \$0.34 or 0.62% from \$54.31 to \$54.65.

Ojai: a commercial or residential customer on Schedule OJ-1 with a 5/8-inch x 3/4-inch meter, using 26 Ccf per month will experience a monthly increase of \$1.46 or 2.78% from \$52.57 to \$54.03.

Santa Maria: a commercial or residential customer on Schedule SM-1 with a 5/8-inch x 3/4-inch meter using 28 Ccf per month will experience a monthly increase of \$2.29 or 6.14% from \$37.23 to \$39.52.

In order to expeditiously process this type of filing from the approximately 150 affected water and sewer utilities, Water Division requests delegated authority to

approve similar advice letters filed by other water and sewer utilities, if the filings are correct.

FINDINGS

1. The Commission finds, after investigation by the Water Advisory Branch, that the rate increase hereby authorized is justified, and the resulting rate is just and reasonable.

THEREFORE IT IS ORDERED:

1. Southern California Water Company is authorized, five days after the effective date herein, to make effective the revised rate Schedules ME-1, General Metered Service; OJ-1, General Metered Service; OJ-7ML, Public Park Metered Service; SM-1, General Metered Service, SM-3ML, Limited Metered Irrigation Service; attached to Advice Letter 1095-W herein and to concurrently cancel the presently effective rates.
2. If Southern California Edison Company and/or Pacific Gas and Electric Company rates should be further increased, the offset requested in this advice letter would remain in effect until Southern California Water Company requests an offset to pass on those higher rates or until otherwise changed by the Commission. If the Southern California Edison Company and/or Pacific Gas and Electric Company rate increase should be reduced, Southern California Water Company will immediately file an advice letter requesting an offset to pass on the savings to customers.
3. If similar advice letter filings filed by other water and sewer service utilities follow the guidelines for offset filings established in 1983, the Water Division may approve these filings as a ministerial act.

4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 23, 2001; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director